

EXECUTIVE SECRETARIAT **Routing Slip**

TO:		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/EE0				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA				
18	AO/DCI				
19	C/IPD/OIS				
20	NO/ECON		✓		
21					
22					
		SUSPENSE _____ Date			

Remarks:

2 papers attached

Not referred to DOC. Waiver applies.

Executive Secretary
9/14/82
Date

THE WHITE HOUSE
WASHINGTON

Executive Registry
82-5939

CABINET AFFAIRS STAFFING MEMORANDUM

DATE: 9/14/82 NUMBER: 077468CA DUE BY: ----
SUBJECT: CABINET COUNCIL ON COMMERCE AND TRADE -- ^{Sept} August 15 Meeting

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Clark	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Harper	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Wheller	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCCT/Gunn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CEQ	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input type="checkbox"/>
OSTP	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/Boggs	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Carleson	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

Attached is the paper on steel trade issues/CM96 for tomorrow's meeting of the Cabinet Council on Commerce and Trade, scheduled for 8:45 AM in the Roosevelt Room.

Not referred to DOC. Waiver applies.

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs

☒ Becky Norton Dunlop
Director, Office of
Cabinet Affairs



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

MEMORANDUM FOR Members of the Cabinet Council on Commerce and Trade

FROM: Malcolm Baldrige,
Chairman pro tempore MB

SUBJECT: Update on Steel Trade Issues

ACTION FORCING EVENT:

On August 24, the Department of Commerce (DOC) made its final determinations in 27 countervailing duty (CVD) investigations involving imports of basic steel mill products. Nineteen of these cases involve imports of \$1.1 billion of steel from European Communities (EC) member states. DOC found some subsidization in all but four of these 19 cases. The International Trade Commission (ITC) must vote by October 14 on its final determinations on whether the subsidized steel injures, or threatens to materially injure, a U.S. industry.

ANALYSIS:

Steel Trade Investigations

Since October 1981, U.S. steel producers have filed petitions with the DOC resulting in 56 CVD investigations and 25 antidumping (AD) investigations. The most important cases (18 AD and 34 CVD) were filed on January 11, 1982 by seven major carbon steel producers and involve U.S. imports of steel which accounted for \$1.3 billion in trade in 1981.

Countervailing Duty Investigations

On August 24, DOC made its final determinations regarding subsidization of EC steel imports. DOC found subsidies in 14 of the 19 cases involving European steel, with rates ranging from 0.5 percent to 21.4 percent. Steel imports from the Netherlands were found to be unsubsidized, and no or only minor subsidies were found on imports from the Federal Republic of Germany (FRG) and Luxembourg.

By October 14, ITC must vote on its final determinations of whether the European steel that DOC found to be subsidized is injuring, or threatening to injure, a U.S. industry. In any of these cases in which the ITC finds injury, DOC must issue orders leading to the collection of countervailing duties.

Antidumping Investigations

On August 9, the DOC made its preliminary determinations for the 18 AD investigations resulting from the January 11 filings. Estimated dumping margins, reflecting the extent to which sales were made in the United States at less than fair value, ranged from 0.5 percent (de minimis) to 41 percent of the f.o.b. import value. No dumping was found on imports from six companies in five countries, including all companies investigated in the Netherlands and Luxembourg.

Final determinations are due by December 29 with ITC injury determinations due 45 days later. We expect the dumping margins to disappear or become insignificant in nearly all of the cases, as better information is furnished by the foreign respondents.

U.S.-EC Steel Trade Discussions

The EC, fearing large subsidy rates on some of its exports to the United States, expressed deep concern when the January 11 cases were filed. The EC also feared that internal difficulties might be caused by subsidy rates that varied widely from company to company and reflected the varying member state practices. The EC is engaged in a comprehensive restructuring program aimed at reducing its total steel production capacity, eliminating inefficient production facilities, and eliminating state assistance to steel companies. The EC argued that trade actions taken by the United States against imports of European steel might endanger the EC internal steel program.

In response to these concerns and in an attempt to ease broader U.S.-EC tensions, I began intensive discussions with representatives of the EC in early May to explore alternative means of resolving the steel trade problem short of completing the cases. On August 5, the DOC and the EC reached agreement on a proposed arrangement that we believe is equitable and that relieves the injury the U.S. industry may have suffered from subsidized or dumped EC steel.

The arrangement would provide for the establishment of an export licensing system in the EC for eleven basic steel mill products exported to the U.S. Under this system, all EC exports to the U.S. of the products in question would require licenses allocated by the EC in such a manner as to limit these exports to a predetermined share of the U.S. apparent consumption of each product. The EC also agreed to discuss separately control of exports of pipe and tube. In return, the U.S. steel industry would withdraw its pending petitions on products covered by the arrangement. Without the withdrawal of the petitions by the industry, the cases continue, and the agreement will not go into effect.

The negotiated arrangement would offer much broader and more predictable coverage for the U.S. industry than the industry's current cases.

- o The arrangement covers 86 percent of U.S. imports of EC steel (using 1981 as the base). The findings in the industry's current cases are likely to limit trade of 28 percent of U.S. imports of non-pipe and tube products from the EC but would allow increased sales in the balance (DOC found subsidies exceeding 5 percent on only 28 percent of U.S. non-pipe and tube imports from the EC). The broader coverage results from the arrangement's inclusion of steel exports from all EC member states, while the subsidy cases resulted in no or very little restraint on U.S. imports of German, Dutch, or Luxembourg steel, and exempted a significant portion of Belgian steel.
- o The arrangement would include exports of tin plate and galvanized sheet on which there are no pending cases but into which diversion from products covered by the cases would be easy.
- o While the market share level provided for in the arrangement is only slightly below the 1979-1981 annual average for the products covered, it is 11 percent below the average for the past 10 years. Imports of the covered products would have been lower in seven of those ten years.

The U.S. industry to date has refused to accept the arrangement. The industry asserts that the 86 percent coverage of non-pipe and tube steel imports offered by the arrangement is not comprehensive enough to prevent diversion, and thus the arrangement should include other basic steel mill products, e.g., alloy steel products and sheet piling. The domestic industry also asserts that the arrangement should restrain EC exports at lower levels, especially on a few specific products (e.g., plate, bar and structurals). (This was made more difficult because non-subsidized producers, especially the Germans, had little incentive to accept reduced export levels.)

DOC officials met with EC representatives last week to discuss, on a preliminary basis, how pipe and tube might be dealt with if the proposed arrangement were to be implemented. EC pipe and tube producers refuse to be included in the original arrangement for the EC (unlike here, the EC pipe and tube industry is separate from the basic steel industry), but did indicate a willingness to "seriously consider" a less formal mechanism; the U.S. industry has accepted this in concept.

Conclusion

We continue to recommend the EC arrangement to the U.S. industry and have begun pipe and tube discussions. At the same time, as required by law, Commerce is proceeding with the steel AD investigations and the remaining steel CVD investigations. All of the investigations of allegations of unfair trade have been conducted fairly and thoroughly. Unofficial comments from EC and member state officials indicate that this is how the investigations have been perceived in much of the EC (although public EC criticism can be expected to continue).

Settlement is the preferred alternative, because completion of the cases would limit steel exports to the U.S. from the United Kingdom, France, Italy, and Belgium.

If the U.S. industry does not accept the EC's proposed arrangement as an alternative to continued litigation, the completion of the cases should not be economically disastrous for the EC. The export tonnage covered by subsidy rates of more than 5 percent represents only about 1 percent of total EC steel production. Our willingness to join the EC in diligently seeking a settlement to the cases appears to have eased the strain caused by continued litigation on steel products.